

AMENDED IN SENATE MAY 20, 2009

AMENDED IN SENATE APRIL 14, 2009

**SENATE BILL**

**No. 156**

---

**Introduced by Senator Wright**

February 12, 2009

---

An act to add Section ~~1873.5~~ *1879.1* to the Insurance Code, relating to insurance fraud.

LEGISLATIVE COUNSEL'S DIGEST

SB 156, as amended, Wright. Insurance: fraud prevention and detection.

Existing law generally provides for the prevention, detection, and investigation of insurance fraud. Under existing law, insurers are required to disclose to an authorized governmental agency information relative to incidents of workers' compensation fraud, as specified.

This bill would authorize the Department of Insurance or a district attorney to convene meetings with ~~insurers~~ *an insurance company* to discuss ~~emerging trends and schemes involving a specific~~ insurance fraud and would provide that any person sharing information pursuant to that authorization would be protected from civil liability, as specified.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature hereby finds and declares all of
- 2 the following:
- 3 (a) The California Department of Insurance regulates more than
- 4 123 billion dollars (\$123,000,000,000) of insurance business

1 annually. Workers' compensation business-accounts *accounted*  
2 for 11.5 billion dollars (\$11,500,000,000) of that business as of  
3 2006.

4 (b) A report issued by the Department of Insurance Advisory  
5 Task Force in May of 2008 estimated that insurance fraud of  
6 regulated businesses amounts to costs of 15 billion dollars  
7 (\$15,000,000,000) per year, costing each resident an average of  
8 more than five hundred dollars (\$500) per year.

9 (c) Perpetrators of fraud often involved *often defraud* more than  
10 one insurance program. An effective antifraud effort requires  
11 greater cooperation, coordination, and communication of impacted  
12 insurers, services, and regulating agencies.

13 ~~(d) One effective strategy used by the Medicaid and Medi-Cal~~  
14 ~~programs to combat fraud involves sending an explanation of~~  
15 ~~benefits notice to the recipients of services who can then confirm~~  
16 ~~if fraudulent or excessive billing has occurred. California's~~  
17 ~~workers' compensation program does not provide this notice which~~  
18 ~~many employers and law enforcement officials believe could help~~  
19 ~~reduce incidents of fraudulent billing.~~

20 (e)

21 (d) It is the intent of the Legislature to enact statutory provisions  
22 to provide law enforcement regulators and the regulated community  
23 additional insurance antifraud tools and protections.

24 ~~SEC. 2. Section 1873.5 is added to the Insurance Code, to read:~~  
25 ~~1873.5. The commissioner, his or her designated deputy~~

26 *SEC. 2. Section 1879.1 is added to the Insurance Code, to*  
27 *read:*

28 *1879.1. The commissioner, his or her designated deputy*  
29 *commissioner, or a district attorney, or his or her designated deputy*  
30 *district attorney, may convene meetings with representatives of*  
31 *insurance companies an insurance company to discuss emerging*  
32 *trends and schemes involving a specific insurance fraud.*  
33 *Information shared during the course of those meetings, including*  
34 *possible evidence of other criminal activity not involving that is*  
35 *related to a specific insurance fraud; shall be protected by the*  
36 *provisions of Section 1873.2.*